



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

JUN 10 2010

BY FIRST CLASS MAIL

Robert K. Kelner, Esq.
Covington & Burling, LLP
1201 Pennsylvania Avenue NW
Washington, DC 20004

RE: MUR 6299
National Republican Congressional
Committee and Keith Davis, in his
official capacity as Treasurer

Dear Mr. Kelner:

On May 20, 2010, the Federal Election Commission accepted the signed conciliation agreement submitted on your clients' behalf in settlement of violations of 2 U.S.C. §§ 432(c) and 434(b), provisions of the Federal Election Campaign Act of 1971, as amended. Accordingly, the file has been closed in this matter. Please be advised that the civil penalty in this agreement reflects unusual factors brought forth during the investigation.

Documents related to the case will be placed on the public record within 30 days. See, Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 2 U.S.C. § 437g(a)(4)(B).

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that the civil penalty is due within 30 days of the conciliation agreement's effective date. If you have any questions, please contact me at (202) 694-1341.

Sincerely,

Michael A. Columbo
Attorney

Enclosure
Conciliation Agreement

Uller

10044272980

RECEIVED
FEDERAL ELECTION
COMMISSION

2010 JUN -9 AM 9:15

OFFICE OF GENERAL
COUNSEL

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
National Republican Congressional)
Committee and Keith Davis, in his)
official capacity as Treasurer)

Pre-MUR 470

(MUR 6299)

CONCILIATION AGREEMENT

This matter was initiated by a *sua sponte* submission made to the Federal Election Commission ("the Commission") by the National Republican Congressional Committee ("NRCC") and Keith Davis, in his official capacity as treasurer ("the Respondents"). The Commission engaged the Respondents in an expedited Fast-Track Resolution pursuant to its *Sua Sponte* policy, 72 Fed. Reg. 16,695 (Apr. 5, 2007), and thus has not made reason-to-believe findings in this matter.

NOW, THEREFORE, the Commission and the Respondents, having participated in informal methods of conciliation, prior to a finding of reason to believe or probable cause to believe that a violation has occurred, do hereby agree as follows:

I. The Commission has jurisdiction over the Respondents and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 2 U.S.C. § 437g(a)(4)(A)(i).

II. Respondents have had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondents enter voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. The NRCC is a political committee within the meaning of 2 U.S.C. § 431(4).

10044272981

2. Keith Davis became the treasurer of the NRCC in February 2008, and is the current treasurer.

3. Christopher Ward worked at the NRCC starting in November 1995 as the NRCC's comptroller, served as treasurer from 2003 through July 2007, and served as a consultant for the NRCC from August 2007 until his termination by the NRCC in January 2008.

4. The NRCC discovered that Mr. Ward transferred \$675,073.12 from the NRCC to other committees' accounts without authorization and without disclosing the transactions to the Commission on the NRCC's disclosure reports.

5. Mr. Ward's undisclosed and unauthorized disbursements of NRCC funds consisted of three categories of transactions. Mr. Ward transferred \$515,000 from the NRCC to the accounts of the President's Dinner Committees ("PDCs"), committees created annually to serve as joint fundraising representative committees for joint fundraising efforts that benefit the NRCC and the National Republican Senatorial Committee. Mr. Ward was the treasurer for the 2001 through 2006 PDCs. The second category of unauthorized disbursements consisted of \$112,879 in funds transferred to other committees for which Mr. Ward served as treasurer. The third category of transactions comprises Mr. Ward's disbursement of \$47,194.12 from the NRCC to a vendor that provided services to the 2006 PDC.

6. Mr. Ward appeared to have made subsequent transfers of several hundred thousand dollars from those accounts to his personal bank accounts.

7. The NRCC discovered potential evidence of Mr. Ward's embezzlement on January 28, 2008 when Mr. Ward informed the NRCC that there had been no audit of the NRCC for the year 2006, notwithstanding his previous and repeated assurances to the contrary. Mr. Ward's admission that no audit had been conducted was prompted by a series of inquiries from the

10044272982

NRCC's audit committee concerning the status of the audit and a proposed face-to-face meeting with the outside auditors. The NRCC then discovered that Mr. Ward had fabricated a draft final audit report and submitted false 2006 financial statements to the NRCC's bank.

8. As a result of this discovery, the NRCC retained outside counsel Covington & Burling LLP to conduct an internal investigation, and the NRCC reported the matter to the FBI and the Commission. Outside counsel retained PricewaterhouseCoopers to conduct a forensic review of the NRCC's financial records. The internal investigation and forensic review determined that Mr. Ward had made unauthorized transfers of NRCC funds for his personal benefit, and that he had engaged in a lengthy scheme to conceal these transfers from the NRCC, including the preparation of bogus outside audit reports for the years 2003 through 2007.

9. The NRCC has fully cooperated with the Commission's subsequent investigation, voluntarily providing Commission staff with relevant information and amending its reports to reflect accurate financial information.

10. Under the Act, a committee, through its treasurer, is required to accurately disclose its disbursements. *See* 2 U.S.C. §§ 432(c), 434(b). The Act's recordkeeping obligations include the name and address of every person to whom a disbursement is made, together with the date, amount and purpose of the disbursement and keeping a receipt, invoice or cancelled check for disbursements in excess of \$200. 2 U.S.C. § 432(c)(5). Disclosure reports shall include, *inter alia*, the amount of cash on hand at the beginning of the reporting period and the total amount of disbursements, including the name and address of each person to whom an expenditure exceeding \$200 is made together with the date, amount and purpose of the expenditure. *See* 2 U.S.C. § 434(b)(1), (4)(H), (5) and (6)(B).

11. As a result of Mr. Ward's unauthorized transactions, the NRCC's reports of its disbursements and cash on hand balances, which were prepared and filed by Mr. Ward, were inaccurate. As of the January 2008 Monthly Report, the NRCC's cash on hand balance was \$740,000 less than what it had disclosed.

12. Additionally, the amount the NRCC reported as outstanding on its line of credit was \$200,000 less than the actual amount the NRCC owed due to an inaccurately reported loan payment. This mis-disclosure is not related to Ward's embezzlement. Committees, through their treasurers, are required to accurately disclose loan payments and the amounts of outstanding loan balances. See 2 U.S.C. § 434(b)(4)(E) and (8).

13. As a result of Mr. Ward's actions, the NRCC failed to accurately keep an account of and disclose its cash on hand, disbursements, loan payments, and loan balances.

V. Respondents violated 2 U.S.C. §§ 432(c) and 434(b) by failing to accurately keep an account of and disclose cash on hand, disbursements, loan payments and loan balances in disclosure reports filed with the Commission.

VI. Respondents will take the following actions:

1. Respondents will pay a civil penalty to the Federal Election Commission in the amount of Ten Thousand Dollars (\$10,000), pursuant to 2 U.S.C. § 437g(a)(5)(A).

2. Respondents will cease and desist from violating 2 U.S.C. §§ 432(c) and 434(b).

VII. The Commission, on request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof

10044272984

has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed same and the Commission has approved the entire agreement.


IX. Respondents shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

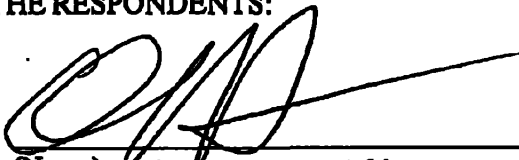
Thomasenia Duncan
General Counsel

BY:


Ann Marie Terzaken
Associate General Counsel
for Enforcement

6/9/10
Date

FOR THE RESPONDENTS:


(Name) Guy Harrison
(Position) Executive Director

4/7/10
Date

10044272985